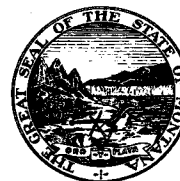




Dan Bucks  
Director

# Montana Department of Revenue



Brian Schweitzer  
Governor

## Memorandum

To: Senator Erickson, Senate Tax Committee  
From: Lee Baerlocher, Bureau Chief  
Date: February 3, 2011  
Subject: Information Requests – 80/20 Corporations

SENATE TAXATION

EXHIBIT NO. 11

DATE 2.10.11

BILL NO. SB 94

Following are responses to your information requests regarding 80/20 corporations.

*Question 1: How do other states with water's edge election laws treat 80/20 corporations?*

There are 23 states that use the combined reporting method with water's edge filing provisions. More than half of the 23 states employing combined reporting require the inclusion of 80/20 corporations in the water's edge group and have other provisions that are similar to what is being proposed by SB 94. SB 94 brings Montana into closer alignment with the majority of other combined reporting states on this issue.

*Question 2: What portion of the fiscal effect of the bill is attributable to 80/20 corporations?*

The majority of the known fiscal impact as illustrated in the fiscal note is attributable to the inclusion of 80/20 corporations into the combined taxable unit. The precise fiscal effect of the different provisions in the legislation is difficult to estimate because of the complex nature of corporations and the unavailability of needed information. However, we believe our estimate of the fiscal impact in SB94 is conservative and the majority of the estimate is due to the inclusion of 80/20 companies.

The fiscal note prepared for SB 94 estimates additional revenue of \$2.4 million per year related to these proposed changes.